Financial Systems Philosophy and Strategy

DOT has a strategic vision for an integrated financial management systems environment that provides valuable information for its program, budget, procurement, property and financial managers. Financial managers have recognized that, despite DOT achieving a single, integrated accounting system, they are still challenged to do *more with less* and at the same time provide better and more reliable information, more quickly and more flexibly.....*and all at less cost.*

To achieve this strategic vision, the DOT is moving aggressively to evolve its aging financial system components to modern, commercially available financial applications. DOT believes commercial-off-the-shelf (COTS) solutions that automate best practices in financial management will meet its current and future financial system needs. The present financial systems exact a high cost for managing and maintaining "in-house" developed applications; require a lengthy and cumbersome change management process for meeting user needs; and, although temporarily configured to be Y2K functional, are not fully Y2K fixed or compliant.

DOT established a set of "high bar" characteristics that a COTS solution must meet. Systems with these characteristics are likely to give users a modern, advanced systems environment, reduce the cost of operation, and increase services to financial customers. They include:

- Commercial availability
- Flexibility/Maintainability at the functional user level (not programmers)
- Modular, tight integration of functional components
- Single source data capture
- Electronic routing and approval
- Web-accessible
- Electronic commerce capabilities
- Y2K compliance.

Armed with this criteria, the Office of Financial Management (OFM) conducted a study in the Spring of 1997 to determine whether DOT could evolve the Departmental Accounting and Financial Information System (DAFIS) to one that would meet the current and future needs of the Department. OFM formed an evaluation team with representatives from the U.S. Coast Guard, FAA/Mike Monroney Aeronautical Center, and the Federal Highway Administration to develop a DOT functional evaluation criteria document to assess commercial-off-the-shelf (COTS) systems.

After reviews by evaluation team members of potential General Services Administration Financial Management Supply Schedule candidates, the study concluded with an operational capabilities' demonstration (OCD) of the Oracle Federal Financial applications in December 1997. The OCD presented demonstrations of 25 "super scenarios" which assimilated the Department's most complex business processes as defined by the Operating Administrations (OAs), and incorporated the DOT functional evaluation criteria. Financial Management Committee (FMC) members completed formal evaluations of the expected results. Given the high percentage of expected results successfully demonstrated by acle

Federal Financials, the Deputy Chief Financial Officer endorsed its evolutionary use throughout the Department. Thus, came the birth of the "Delphi Program".

Based on the results of the OCD, DOT financial systems will be comprised of, but not limited to: (1) *corporate components*, such as a general ledger and a financial statement preparation facility; (2) *feeder systems*, such as budget, procurement, travel, grants, payroll, and personnel; and (3) *reporting systems*, using data warehousing technologies. Moreover, the Department established three "commandments" for the Delphi Program:

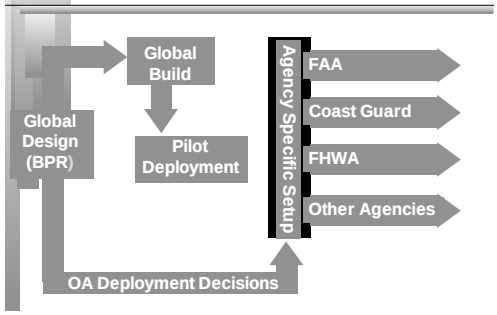
Delphi Commandments

1. Delphi will not replicate DAFIS.
2. DOT will not customize the Oracle software.
3. Oracle Federal Financials will represent best practices and serve as the basis for reengineering our business processes.

The Department is using a "Global Design" approach for implementing Delphi. DOT has categorized its functional requirements into three categories:

- Universal - requirements that are uniform and integral to all operating components of the Department.
- Standard - requirements shared by two or more operating components of the Department.
- Exception - requirements unique to a single operating component of the Department.

Global Design Approach



The Delphi Global Design will include requirements of all three categories; however the Global Build will only include Universal and Standard requirements. The Global Build will serve as the "generic" configuration for DOT's installation of Oracle Federal Financials, and will be implemented first as a pilot in the Federal Railroad Administration. During the Global Design and Build activities, the Operating Administrations will identify any exception requirements not included in the Global Build; begin making deployment decisions for their organization; and plan their individual implementations to occur following the installation of the pilot. Our plans call for all Operating Administrations to migrate to Delphi by the summer of 2001.

As the new millennium approaches, the CFO Council is continually reevaluating the visions and strategies of its existing FM Strategic Plan. This action will ensure our FM operations, systems, and policies continue to support DOT's mission, goals, and programs.

YEAR 2000

DOT Fixes its Financial Systems

Over the past year, all critical Department-wide financial systems' application software was renovated and validated to be Y2K ready. These systems include: the Departmental Accounting and Financial Information System (DAFIS), the Consolidated Uniform Payroll System (CUPS), the Consolidated Personnel Management Information System (CPMIS), and the Integrated Personnel and Payroll System (IPPS).

Full Y2K implementation of these systems requires that the computer environment, telecommunications, and feeder and extractor systems also be Y2K ready. All the Department-wide systems operate in the same computing environment, ICEMAN, which is contracted with the U.S. Department of Agriculture by FAA. With the Y2K validation of ICEMAN platform in January 1999, these Department-wide applications were installed and operating in a Y2K production environment. During the first quarter of FY 1999, ICEMAN supported integrated and forward date testing of applications in this Y2K environment.

The telecommunications systems which support both the Department-wide systems, as well as the feeder and extractor systems, were Y2K upgraded before the end of calendar year 1998. Successful ICEMAN testing of telecom also took place before year end.

By far the most critical issue is all the feeder and extractor systems that interface with the Department-wide financial systems, especially DAFIS. Because CUPS and DAFIS are payments systems, we interchanged files with the Treasury and our interface files successfully tested with Treasury's payment systems.

We identified and tracked the progress of DAFIS major feeder and extractor systems to ensure timely completion of their renovation or replacement work. All 54 major interfacing systems are currently Y2K ready. Major financial interfacing systems include both mission critical and non-mission critical from an agency perspective.

Although our critical Department-wide financial applications are Y2K ready, they will not be permanently "Y2K fixed." DAFIS, for example, is using a temporary fix, called Windowing, for performing Y2K date calculations and comparisons. The ultimate solution is to migrate the current system to take advantage of commercial off-the-shelf (COTS) software that is fully Y2K compliant – a process that is currently taking place in our Delphi Program.

Target for Completion: Complete except for validation of current changes to applications.

Upgrading Systems

♦ Travel

PerDiemAzing Travel Management System (PDTMS)
"Out" with manual travel processing. PDTMS is a COTS application that processes the full range of temporary duty and local travel transactions. It fully complies with the Federal Travel Regulation and the Joint Financial Management Improvement Program (JFMIP) Travel System standards. Implementation in DOT began with OST, TASC, and BTS. In 1998, FHWA and FTA also launched the implementation of PDTMS nationwide. Overall, DOT has a user base of 5000 employees.

With PDTMS, approving officials can approve travel at their desktops. PDTMS gets the proper amount of money to the traveler's bank account within ***three or four business days*** following approval of travel vouchers. This is because PDTMS interfaces electronically with DAFIS. Reimbursements no longer depend on paper vouchers and receipts flowing to the accounting office for processing, freeing travelers and their secretaries from paper processing of authorizations and vouchers. Instead, receipts are kept on file by designated individuals in each organization. These receipts only go to the accounting office if the respective electronic voucher is selected for post payment review (based on a statistical sample).

National Automated Travel System
The National Automated Travel System (NATS) integrates the commercially available Travel Manager software with DOT's Departmental Accounting and Financial Information System (DAFIS). NATS fully automates FAA's travel authorization and voucher process, which achieves economies in cost and time for travelers and support staff. In FY 1999, NATS was partially implemented in Southwest, Alaska, and the Eastern regions. The William J. Hughes Technical Center (NATS beta test site) is now processing 50% of its travel documents electronically and expects to be processing 99% of travel documents electronically by January of 2000. The FAA expects to deploy NATS at all regions and centers in FY 2000. Travelers will benefit from the system by receiving reimbursements for their travel expenses quicker, and the agency will further benefit by having a travel processing system that is more efficient and paperless.

Target for Completion: FY 2000

♦ Accounts Receivable

The Oracle Financials Accounts Receivable application within the Coast Guard was placed into production during March 1999, bringing the pilot project undertaken by the Coast Guard on behalf of the DOT CFO to a successful conclusion. All new Civil Fines and Penalties receivables are now entered into the new system. The balance of existing accounts in the legacy system were moved into Oracle as of August 1999. The last accounts receivable type, "Reimbursables", will be in production before the end of calendar year 1999. This is a major step forward in

complying with the requirements of the Debt Collection Improvement Act (DCIA).

This system provides users with accurate, easy to retrieve information regarding monies owed the Coast Guard. This system includes management alerts (flags) which inform the appropriate personnel when actions are required relating to billing, collection or referral of specific receivables. Additionally, the new system allows for more accurate and faster billings and quicker collections through the use of electronic lockbox transmissions. All lockboxes for collections will be automated by the end of calendar year 1999.

Several improvements have been made to support interactions with customers. These include custom billing letters which provide better explanations of charges, recording of customer calls into an electronic file to reduce misunderstandings, and the ability to service customers when DAFIS is off-line.

The target date for moving from DAFIS to Oracle receivables is December 31, 1999.

♦ **Cost Accounting System (CAS)**

The Federal Aviation Reauthorization Act of 1996 (P.L. 104-264) directed the FAA to develop a cost accounting system that adequately and accurately reflects investments, operating and overhead costs, revenues, and other financial measurement and reporting aspects of operations. Begun in FY 1997, the system will permit the allocation of costs to users, support the collection of user fees and meet the mandate of the legislation. A baseline system was designed to eventually capture cost data for all organizations in FAA. In addition, the Associate Administrator for Research and Acquisition developed a prototype labor distribution system for use by that line of business. During FY 1998 and FY 1999, detailed CAS requirements were developed and implemented for the Air Traffic Services (ATS) line of business to assign and/or allocate the full cost of providing enroute and oceanic services. Implementation of these requirements was completed in June 1999 using FY 1998 data. For the first time, the FAA is able to determine the actual cost of providing these essential services. This information will also be used as a basis for the calculation of overflight user fees.

The next phase for ATS will define the requirements for costing Flight Services as well as enhancing the capabilities provided for enroute and oceanic services. Simultaneously, requirements for the Research and Acquisition (ARA) line of business are being developed and implemented. Both ATS and ARA requirements will be implemented by January 31, 2000. A phased approach is being used to implement the remaining lines of business during the FY 2000/FY 2001 time frame. By the beginning of FY 2002, the system will support project cost accounting and provide full cost information for all lines of business.

Target for Completion: FY 2002

¨ Property and Procurement

Large Unit Financial System (LUFS-NT)

The Large Unit Financial System (LUFS) is the Coast Guard's sole unit level procurement and funds management software and a DOT CFO feeder system. LUFS – NT is the Coast Guard's Windows-NT version of the software. LUFS provides electronic source data entry and is used for the transmission of financial and procurement data to the Coast Guard Finance Center (FINCEN) for update to the Departmental Accounting and Financial Information System (DAFIS) and automates the reconciliation of DAFIS balances with local ledger accounts maintained in LUFS. Without LUFS or similar tools, Coast Guard financial management would rely on manual or semi-automated processing of variable integrity.

The new version of LUFS, LUFS – NT, is now in production. Coast Guard Headquarters has already migrated to LUFS-NT. Several enhancements have been made to LUFS-NT including the ability to generate travel orders, inclusion of several contracting forms, workflow processing of documents using Exchange Mail, electronic interfaces to Oracle Projects and Fixed Assets, and the ability to support digital signatures and electronic commerce. LUFS-NT is being deployed via a centralized database architecture to minimize database administration costs. In addition, a web solution is being prototyped. Pending funding decisions, a web-based prototype for the requisition making functions could be completed by February 2000. Full deployment of LUFS-NT commences in October 1999 starting at the Coast Guard Pacific Maintenance and Logistics Command in Alameda, California. Deployment is expected to continue over the next three years.

Target for Completion: FY 2002.

Assets Accounting and Property Management System

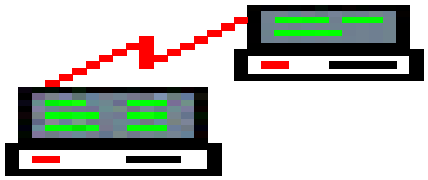
During FY 1999, the Coast Guard successfully completed implementation of a commercial off-the-shelf (COTS) asset accounting and property management system, Oracle Financials – Fixed Assets application. The benefits from the COTS software solution have been numerous. The system enables the Coast Guard to meet the property accounting requirements of the CFO Act and the Federal Accounting Standards Advisory Board (FASAB). This system resolves several critical issues by meeting JFMIP and CFO Act requirements. In addition to meeting the needs of financial managers, this highly collaborative cross-programmatic effort improved information available to property managers and to program managers. For example, property custodians now have more detailed information available on the location, value, status, and condition of the property under their control. Procedures have been established for performing ongoing physical inventories of capital assets for validation with system records. By closely working with program managers and utilizing application extensions, the Coast Guard was able to implement Oracle Fixed Assets in less than one year and collapse several non-integrated asset systems into Oracle Fixed Assets.

In addition, the Coast Guard has implemented a COTS software package - Oracle Financials - Project Accounting application - for tracking and controlling funds expended within our Acquisition, Construction and Improvement (AC&I) appropriation which totals over $500 million annually. The system works in conjunction with the Fixed Asset application to give financial and program managers the enhanced ability to identify total project cost, construction in process balances, and assets procured. The system is also used for managing and billing project costs in our accounts receivable and industrial accounting programs. Further expansion of the system to field units is planned during the next fiscal year.

In concert with these system implementations, the Coast Guard is nearing completion of its significant effort to clean up all property and Construction In Process records This clean up has ensured that the data in these new systems is accurate and up to date and provides an excellent start to the on-going efforts to transition to Delphi. The systems implementation and data clean up have greatly improved the Coast Guard's ability to meet CFO Act audit requirements and have improved focus on asset and accountability. Further system improvements and data clean up is expected to continue over the next year.

Target for Completion: FY 2001.

Workflow Image Network System (WINS)



The Workflow Image Network System (WINS) is a commercial Purchase Order and Invoice processing system which integrates payment processing rules and procedures with document images in an automated "workflow" environment. WINS eliminates the need to handle and process large volumes of paper and allowed DOT to "turn-off" the DAFIS Voucher Examination Module (VEM), thereby avoiding costly Y2K renovation work for this module. WINS provides automatic tracking and status of documents. The document images are linked to financial and payment data in a relational database. The imaged documents for payment are automatically "workflowed" by the system to specific points for user action, automatically controlling and monitoring the volume of work. This results in reduced overall processing time. Based on specific system criteria or user actions, accounting and payment transactions are then automatically written to the accounting system. WINS started processing documents in April 1998 and has since expanded its processing capabilities to include all document types. WINS has been expanded to include the following:

- A complete telephone/utility document processing module (WINS UT) which tracks utility data to account and meter number level.

- A web enabled (by use of Citrix Metaframe) energy reporting system (FASER) for engineers to be implemented by the beginning of FY 2000 and supplied by WINS utility information.

- A WINS Contract and Military Interdepartmental Purchase Request processing module featuring remote access for selected contracting sites.

- An Asset/Property module for imaging and management of CG property documents.

- A web-based WINS invoice payment history module which tracks obligations and payments to individual vendors.

- An expanded WINS Other Document Type (ODT) module to include 16 other document types for processing in WINS.

- A Customer Service Module implemented to assist with customer calls to the Coast Guard Finance Center.

- A Household Goods (HHG) Module which tracks and calculates member's self-procured moves incentive and tax withholding information and reports quarterly to the Coast Guard military payroll center.

- An Automatic Quarterly Deobligation Routine for Commercial Purchase Orders.

- Full implementation of WINS is expected at the start of FY 2000.

ACQUIRE

In November 1998, the ACQUIRE Program commenced full operational capability as the modern automated procurement system at all FAA sites. The ACQUIRE program addresses the need for an efficient and effective procurement process and procedures which supports the Federal Aviation Administration's new Acquisition Management System (AMS). The ACQUIRE Program supports a minimum of 5,000 users with on-line access privileges to generate annually for various programs over 100,000 procurement requests and over 200,000 other documents for related purposes. ACQUIRE also enables more effective interfaces with the Departmental Accounting and Financial Information System (DAFIS) and the FAA's Logistics and Inventory System (LIS). In FY 2000, the ACQUIRE Program will begin the planning efforts for migrating to the Delphi Program.

Target for Completion: Completed

♦ Project Tracking

Streamlining and upgrading is in progress on FHWA's Fiscal Management Information System (FMIS). The FMIS is used by FHWA and the State DOTs to obligate and track projects comprising the $26 billion per year Federal-aid Highway Program. The revised system will redefine the data elements resulting in fewer categories and improved quality of data. In addition, it will take advantage of improved user-friendly technology. The new FMIS will also be web-enabled, allowing access with a standard Web

browser. The revised system is expected to be available for use by October 2000.

Target for Completion: FY 2001

♦ **Human Resources Management**

The current Departmental personnel and payroll systems are approaching the end of their life cycle. The DOT Human Resources Management Information System (HRIS) project was established to deliver an intradepartmental, personnel, benefits, and payroll data processing and management information reporting system to replace the legacy systems. The HRIS will service OST and all DOT Operating Administrations except FAA, SLSDC, and STB. An early decision was made by DOT senior officials that the HRIS solution will be non-developmental.

The HRIS project team, lead by the Coast Guard Acquisition Directorate, performed an alternatives analysis to determine what the best solution for DOT would be, i.e., to acquire a COTS product or obtain personnel and payroll services from another Federal agency or commercial enterprise. The project team completed the study and concluded that a cross-servicing arrangement with a Federal agency would be the best solution for DOT. Selection of an HRIS service provider and a contract award is expected during June 2000.

Target for Completion: FY 2002